

CONTRACT COATING

From the Perspective of the Contract Coater

Contract coating can offer the coater many advantages. These can include technical and manufacturing variety as the coater strives to serve many different markets. Contract coating also offers the coater the chance to leverage their expertise in driving technical, engineering and operational efficiencies in business areas where the coater may not have marketing, sales and commercial expertise and capabilities. For these and other reasons, contract coating remains a business area that many companies consider.

Contract coating business opportunities will almost always fall into one of two distinct categories. The first type involves working with customers to commercialize coated products which have been only somewhat or partially developed. In this case the product is truly under construction and requires further definition and optimization in order to meet the need for which it is intended. These products are likely “new to the world” and in order to ultimately provide contract manufacturing services, the coating partner has to participate in the completion of the product design phase. This participation can require lab / bench scale formulation and testing, analytical and material science troubleshooting, specification development, raw material quality control and running the small scale coating trials needed to support product development in a cost effective manner. As these projects are often engaged early in the product development cycle, the risk-reward continuum is likely tilted toward higher risk.

The second type of contract coating business opportunities involve products which are currently being manufactured and the contract coater is sought in order to offer additional coating capacity, capacity in a different geographic region or a higher quality level than is currently being achieved. In these cases, the product design has likely been set and qualified or specified at current key users. The ability to change the product design in order to best fit the existing coating line configuration is limited and can require that the coater have very flexible equipment, processes and people. Often the customer has excellent knowledge of the technical performance of the product as well as key cost variables like yield, line speed, machine efficiencies, etc. so these can serve as benchmarks for production. The potential for accurately forecasting demand for these coated products which already exist is much higher.

In order to provide excellent contract coating services for both of these types of business opportunities the coater must be prepared to effectively address all of the following issues

- Confidentiality – key technical and commercial information provided by the customer must be effectively managed with zero room for error
- Technical Expertise – in all relevant areas – materials, product design, analytical and testing, equipment engineering as well as process development
- Development Capabilities – lab and pilot coating, laboratories, analytical and physical property testing as well as test method development
- Manufacturing Capabilities – inc. flexibility (hardware and people) and coating capacity
- Quality – how will both the new product and process be managed to insure the required level of quality
- Environmental – how will new materials be handled to insure safety and environmental compliance
- Partnering – access to facilities, equipment, key personnel
- Service – how to create and sustain a service oriented culture

In summary, success as a contract coater requires both understanding the different types of business opportunities that might be encountered as well as having the capabilities and knowledge to address the key issues that exist.

From the Perspective of the Customer

Companies turn to firms with contract coating capabilities for a number of reasons. It might be because they have no coating equipment and made a decision not to purchase any. The lines they have may be outdated, of improper design or configuration or overtaxed and the chemistry of a new product may not be compatible with existing facilities.

In addition to saving significant capital, there are other benefits for going outside for coating. No new staff is required. New and possibly hazardous chemicals do not have to be brought into the plant.

Even if coating equipment is available, not all firms with new products have the time or the development equipment available and they want to contract out the pilot coating. So what are the alternatives? For development, there are contract research houses or equipment vendors with pilot lines. If production contracting is in the future, a good option is selecting a contract house with a strong development group and associated pilot equipment. If unsure of the potential volume for a new product, a safe way to minimize risk is to use someone else's coating line for semi-works and initial production.

When choosing a coating house decide on the type of coating firm that best fits your needs. Look at these characteristics among others. Are they focused to produce at low cost, high volume, high quality, be technically versatile or provide rapid turnaround and delivery?

You may also look at contract coaters who specialize in areas such as specific industries, fluid characteristics and chemistry, coating application system and substrates. Also important are the machine width, speed and configuration with items such and laminators, corona treaters, etc.

The down side of contracting is the potential loss of security, control of the coating schedule and speed in technical development and geographical issues. Finally, there is the cost added to the product from the "middle man."

What other elements should be in your search for an R&D, development or manufacturing contract coater? Besides the equipment and technical needs, your checklist should include such items as: experience with your industry, your product and materials, good technical support, adequate and well maintained equipment, geographical location and transportation.

So, whether you want to become a contract coater or look for one to do your product, after the economic analysis, look hard at the equipment, staff talent, organizational strengths and weakness and the quality philosophy.

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